

**1977**

# **Twenty-seventh Annual Report**

for the year ended September 30, 1977



## **interim report**

for the three month period  
ended December 31, 1977



# **GM RESOURCES LIMITED**





MAR 2 1978

# G M RESOURCES LIMITED

(formerly Giant Mascot Mines Limited)

Incorporated under the Laws of the Province of British Columbia

## TWENTY-SEVENTH ANNUAL REPORT

### DIRECTORS

A. H. Ainsworth, *Vancouver*

F. P. Cundill, *Vancouver \**

J. L. Gibson, *Vancouver \**

H. N. Borts, *Montreal*

N. Gesser, *Montreal \**

J. O. McCutcheon, *Montreal*

L. P. Starck, *Calgary*

### ALTERNATE DIRECTOR

A. M. Ludwick, *Montreal \** (for N. Gesser)

### OFFICERS

J. O. McCutcheon, *Chairman of the Board*

L. P. Starck, *President and Managing Director*

N. Gesser, *Vice-President Finance*

A. H. Ainsworth, *Secretary and General Counsel*

### REGISTERED AND RECORDS OFFICE

Suite 2260, Toronto-Dominion Bank Tower,

Pacific Centre, 700 West Georgia Street, Vancouver, B.C., V7Y 1A9

### EXECUTIVE OFFICE

Suite 2370, Bow Valley Square Two

205 - 5th Avenue S.W.

Calgary, Alberta, T2P 2W6

### REGISTRAR AND TRANSFER AGENTS

Canada Permanent Trust Company,

Calgary, Montreal, Toronto, Vancouver

### SOLICITORS

Ainsworth & Company, Vancouver

### AUDITORS

Price Waterhouse & Co., Calgary

Listed on the Toronto and Vancouver Stock Exchanges

\*Audit Committee



# **G M RESOURCES LIMITED**

## **REPORT OF THE PRESIDENT ON BEHALF OF THE DIRECTORS TO THE MEMBERS**

During the period from March 31, 1977, when the last Annual General Meeting was held, the Company has completed a successful rights offering, participated in the recent expansion of natural gas production at the Seven Persons field near Medicine Hat and in placing the Julienne 82A gas well in northeastern British Columbia in production, and undertaken further exploration for gas in Western Canada. The financial results for the fiscal year ended September 30, 1977, show a substantial improvement, after extraordinary items, over those for the previous year, and the earnings for the first quarter, ended December 31, 1977, of the present fiscal year show a continuing improvement.

### **Petroleum and Natural Gas Production**

#### **Seven Persons:**

During September and October, 1977, the Company's wholly owned subsidiary, Mascot Mines & Petroleums Limited ('Mascot'), as to a 37½% working interest, participated in drilling six wells, to an average depth of some 2,300 feet, in the Seven Persons gas field near Medicine Hat in southeastern Alberta, to test for, and develop, gas reserves in the Bow Island formation. Four of these wells, including one on a section held as to 50% by another party, have been successfully completed and are now in production, so that Mascot now has a 37½% interest effectively in a further 3½ wells in the field.

These Bow Island wells produce gas at a much greater pressure and in significantly higher volumes than the 39 Medicine Hat wells previously in production at Seven Persons. In order to use one system for gathering and compressing the gas from both the Bow Island and Medicine Hat zones, Consolidated Pipe Lines Company, which owns and operates the Seven Persons Medicine Hat system, has installed an additional compressor and flow lines to place the Bow Island wells in production. Combined production from the two zones commenced during the first week of February at a substantial increase in throughput, with the result that the field is now producing the contract sales volume of 6.5 million cubic feet per day.

#### **Julienne:**

On August 11, 1977, the Julienne 82A well in northeastern British Columbia commenced production for the sale of gas to the British Columbia Petroleum Corporation. The Company and its wholly owned subsidiary, Mascot, had previously acquired from Canadian Hunter Exploration Ltd. ('Hunter') a 75% working interest in four units on one of which this well was drilled, and contributed 75% of the drilling and completion costs. The Company and Mascot also paid 75% of the costs of installing a six-mile delivery line to the transmission system and of a dehydration plant, but will recover a portion of those costs by way of a transportation allowance from the purchaser, and, possibly, from other operators in the area who may wish to use all or some of the same facilities.



## G M RESOURCES LIMITED

During the three months after the well came on stream, it produced a total of some 330 million cubic feet. In November, 1977, production was suspended pending the completion by Hunter of the drilling, for its own account or others, of other wells in the Drilling Reservation, prior to Hunter making lease selections. Production from the Julienne well resumed during the first week in February, 1978. Further testing of the well during the shut-down has indicated lower pressures than had been shown by the original tests which will affect the ultimate productivity of the Mississippian formation in the well. Plans have not yet been finalized for placing on stream the productive zones intercepted in the upper formations of this well.

### **Other Production Interests:**

The Production Interest acquired from Hunter under the Agreement dated August 24, 1976, entitles the Company and Mascot to receive the first production of petroleum and natural gas from certain proven and producing properties to a value of \$2,170,000 in net proceeds each year, commencing July 1, after payment for their account of operating costs and royalties attributable to such share of production. During the period from July 1 to December 31, 1977, the net proceeds from this interest amounted to some \$1.8 million as compared with \$1.6 million during the same period in 1976.

The average monthly income from the gross overriding royalty interest now held by Mascot in the Strachan Leduc D-3 Gas Unit in Alberta has exceeded the amount estimated by the Company's independent consultant at the time of the acquisition of Calgary International Energy Ltd. ('C.I.E.L.') which originally held the royalty interest. The Unit produces "sour gas" but, due to the oversupply of sulphur which has prevailed for some 8 years, little, if any, sulphur has been sold during that period. Recently, however, some sales in small volumes have been made from the stockpile which may be an indication of an improvement in marketability. The royalty interest held by Mascot also applies to the sulphur produced.

The other royalty and carried interests previously held by C.I.E.L. were acquired by Mascot when C.I.E.L. was placed in voluntary liquidation on July 4, 1977. These include a net carried interest, from which income was received during December, in the share of one of the working interest partners in certain petroleum production from a property in the Steelman area of southeastern Saskatchewan on which two further wells were drilled last year and another two wells are presently being drilled.



# G M RESOURCES LIMITED

## Other Petroleum and Natural Gas Ventures

### Elmworth Area:

As previously reported, the Company and its wholly owned subsidiary, Mascot, hold a 37½% working interest in two sections in the Elmworth area of northwestern Alberta, on which Hunter as Operator drilled and completed the Canhunter GIM Elmworth 10-27-70-12 gas well during 1976 pursuant to the Agreement of August 24, 1976. Hunter, which with other partners has completed other gas wells in the general area, has advised the Company that it has made arrangements for a gas sales contract, which would include the Canhunter GIM well, calling for deliveries starting November 1, 1979. The Company presently anticipates, therefore, that it will be called upon prior to that date to contribute its pro rata share of the cost of the facilities necessary in this connection.

### Joint Venture Drilling Program:

Two exploratory gas wells have been drilled to date on separate prospects in northeastern British Columbia by Hunter as the Operator for the joint venture which the Company entered into in May, 1977, with Roycal & Co. and a consortium of limited partnerships represented by Resource Investments Managers Inc., as the general partner. Both test wells are reported to have production potential. A third test well for gas has been spudded in British Columbia and further exploratory drilling in British Columbia or Alberta is contemplated as part of the program. The Company is committed to contribute a total of \$550,000 to the program for a one-sixth interest in the joint venture. Any further expenditure on the Company's part would be optional, subject to penalties or loss of interest in certain option lands if, and to the extent, that it did not elect to contribute.

### Interest in Panarctic Oils Ltd. ('Panarctic')

Panarctic is presently drilling the Beverley Inlet G-13 well on south central Melville Island, and the Roche Point O-43 well offshore and to the west of the northern end of Sabine Peninsula, Melville Island. An ice platform is currently being prepared for drilling at Grassy Point, offshore Melville Island and to the west of the Hecla field. In addition, it is planned that, before the summer break-up, wildcat tests will be drilled at Stokes Range, in the northwest area of Bathurst Island, and at Cameron Island, north of the Bent Horn oil field, and that one and, possibly, three wildcats will be spudded in other locations.

In order to develop the technology to produce natural gas from offshore fields in the Arctic, the Drake F-76 well will be drilled from an ice platform in 200 feet of water and one mile offshore from Drake Point, Sabine Peninsula, Melville Island, and a subsea well-head installed, without the use of divers, and connected to onshore test facilities. This project, which will include an extended production test in the spring of 1978, is being funded jointly by Petro-Canada Exploration Inc. ('Petro-Canada') and Panarctic.



# G M RESOURCES LIMITED

The Richardson Point G-12 exploratory test drilled recently on southeastern Melville Island has been abandoned, as have the Bent Horn I-01 and M-12 wells drilled early in 1977 on Cameron Island to further test for oil at Bent Horn.

Petro-Canada, which, during the past year, acquired the position formerly held by the Government of Canada in Panarctic, is investigating the feasibility of marketing liquefied natural gas as part of a pilot project intended to precede any full-scale system of transporting Arctic Island gas. In a recent study prepared for Panarctic the marketable gas reserves in the Melville Island and Ellef Rignes areas of Canada's Arctic Island were estimated at 12.7 trillion cubic feet.

The Company presently holds a 3.7784% interest in Panarctic, after allowing for the issue of certain shares which have been reserved for acquisition by Home Oil Company Limited but before allowing for the exercise of any of the share purchase warrants issued pursuant to the Seventh and Eighth Expansion Agreements.

## Mining Interests

The Company is maintaining in good standing all the principal mineral holdings in the Giant Nickel, Motherlode-Greyhound, Canam, Nickel Plate and Giant Soo properties which are considered to have promising exploration potential and, in most instances, probable and inferred mineralization. Of the mineral properties acquired through the purchase of C.I.E.L. in December, 1976, the Company has made preliminary investigations of the copper and uranium prospects and has optioned the minor interest in a gold prospect in the Northwest Territories to Giant Yellowknife Mines Ltd.

## Financial

During the first quarter, ended December 31, 1977, of the present fiscal year, the Company's net earnings, before audit and year-end adjustments, amounted to \$537,869, after extraordinary items, as compared with \$263,590 for the same period last year. The enhanced earnings this year reflect, in part, the accelerated receipt of income from the Production Interest during the first quarter, and also the receipt of proceeds from other production. Interim unaudited statements for the first quarter are incorporated with this Report.

The loss, after extraordinary items, sustained by the Company during the fiscal year ended September 30, 1977, was \$23,645, as compared with \$478,566 for the previous fiscal year.

From the rights offering which closed on August 29, 1977, the Company received gross subscriptions in the aggregate amount of \$3,694,833. A total of 1,113,046 shares were taken up by the exercise of rights, which left 118,565 shares available for subscription by way of the Additional Subscription Privilege. Subscriptions had been received for a total of 256,043 by way of the Additional Subscription Privilege, so that, as provided in the Offering Circular, the available shares were allocated pro rata amongst those who had exercised the Additional Subscription Privilege.



# G M RESOURCES LIMITED

During the fiscal year ended September 30, 1977, the Company borrowed, by way of bridge financing, up to some \$1,320,000 from its bankers, secured by a guarantee from Cemp Investments Ltd., and up to a sum of \$1,200,000 directly from the latter. These loans were repaid out of the proceeds of the Company's rights offering.

Save for the acquisition, financed, in part, by way of a bank loan in the amount of \$4,200,000, in December, 1976, of all the issued shares of Calgary International Energy Ltd. for a cash purchase price of \$4,435,000, no capital expenditures as such were made during the fiscal year ended September 30, 1977, other than those incurred at Julianne and Seven Persons in the amount of some \$368,000. Capital expenditures presently contemplated in the current fiscal year are those which may be incurred in meeting the Company's share and/or that of its wholly-owned subsidiary in placing petroleum or natural gas properties in production.

During the year some \$1,021,000 was spent on exploration and development drilling and completion.

In the fiscal year ended September 30, 1977, the total wages, salaries and benefits paid by the Company and its subsidiaries amounted to \$128,237, as compared with \$190,073 during the previous fiscal year. As of September 30, 1977, the Company and its subsidiaries had five employees, as compared with eight at the end of the previous fiscal year. It is anticipated, however, that the staff will be increased as the Company becomes increasingly more involved directly in petroleum and natural gas exploration and production.

There were several increases in the price of petroleum and natural gas during the fiscal year ended September 30, 1977, and further increases have since taken effect or are anticipated. The market for new gas in Alberta continues to be limited but in British Columbia there is still a demand for new gas production.

## Corporate

As had been contemplated in the Notice of the Annual General Meeting held last year, the share capital of the Company was consolidated, effective March 31, 1977, on a one for four basis and the authorized capital was set at 10,000,000 shares without par value. At the same time, the name of the Company was changed from Giant Mascot Mines Limited to its present name, G M Resources Limited. In the result, there remained outstanding 3,694,833 shares as consolidated. A further 1,231,611 shares were issued for cash during the fiscal year ended September 30, 1977, pursuant to the Company's rights offering.

As of July 4, 1977, Calgary International Energy Ltd., as previously noted, was placed in voluntary liquidation for the purpose of distributing its properties, interests and other assets to its parent, Mascot Mines & Petroleum Limited, which is, in turn, the Company's wholly-owned subsidiary, thus enabling the latter to apply its accumulated write-offs for tax purposes against the income from such properties and interests.




## G M RESOURCES LIMITED

Effective August 25, 1977, Mr. Arnold M. Ludwick, the Executive Vice-President of Cemp Investments Ltd., joined the Board as an alternate Director for Mr. Nathan Gesser, and in November Mr. Harold N. Borts, the Treasurer of Cemp, was appointed a Director.

The Company has made significant progress during the past two years in building a financial base for the continuing expansion of its petroleum and natural gas exploration and for the further development, when opportune, of properties presently held, and is evaluating prospects and ventures in the industry with cash flow potential.

On behalf of the Board

A handwritten signature in dark ink, appearing to read "A. Ludwick", is written over a horizontal line.

President and Managing Director

**February 15, 1978.**



# G M RESOURCES LIMITED

November 27, 1977

## AUDITORS' REPORT

To the Members of G M Resources Limited  
(formerly Giant Mascot Mines Limited):

We have examined the consolidated balance sheet of G M Resources Limited as at September 30, 1977, and the consolidated statements of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

The ultimate realization of the Company's investment in mineral claims and deferred exploration and development expenditures is dependent on the results of future exploration and development work and the generation of sufficient funds for such programmes.

In our opinion, subject to the outcome of the Company's exploration and development programmes and the generation of sufficient funds for that purpose, these consolidated financial statements present fairly the financial position of the Company as at September 30, 1977, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Pricewaterhouse & Co.*

Chartered Accountants



# G M RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF OPERATIONS

	Year ended September 30	
	1977	1976
Revenue:		
Petroleum and natural gas sales, net of royalties	\$2,638,176	\$838,874
Interest	10,604	25,962
Other	22,536	15,879
	<u>2,671,316</u>	<u>880,715</u>
Expenses:		
Operating	181,272	—
General and administrative	304,456	201,415
Interest-		
Long-term debt	1,099,517	68,557
Other	101,975	—
Depletion and depreciation	960,319	219,600
Property shutdown	111,129	251,253
Investigation of prospective ventures	31,846	95,324
Capital reorganization	35,500	—
	<u>2,826,014</u>	<u>836,149</u>
Earnings (loss) before the following	(154,698)	44,566
Income taxes (recovery- Alberta Royalty Tax Credit)	<u>(140,706)</u>	<u>6,300</u>
Earnings (loss) before equity in expired costs of associated company and extraordinary items	(13,992)	38,266
Equity in expired costs of associated company	<u>9,653</u>	<u>24,130</u>
Earnings (loss) before extraordinary items	(23,645)	14,136
Extraordinary items:		
Writedown of mineral holdings	—	499,002
Recovery of taxes on income resulting from the application of prior years' losses	—	6,300
	<u>—</u>	<u>492,702</u>
Loss for the year	<u>\$ 23,645</u>	<u>\$478,566</u>

Loss per common share (Note 7)



# G M RESOURCES LIMITED

## CONSOLIDATED BALANCE SHEET

	ASSETS	
	September 30	
	1977	1976
Current assets:		
Cash and term deposits	\$ 1,000,728	\$ 151,507
Accounts receivable	940,902	860,229
Prepaid expenses and deposits	69,690	81,080
	<u>2,011,320</u>	<u>1,092,816</u>
Capital assets:		
Petroleum and natural gas production interest, at cost less accumulated depletion of \$1,057,907 (1976- \$218,700)	4,192,093	5,031,300
Petroleum and natural gas properties and equipment, at cost less accumulated depletion and depreciation of \$124,212 (1976- \$3,100)	10,107,807	3,938,100
Mineral holdings (mineral claims, buildings and equipment)	4,556,618	4,649,419
	<u>18,856,518</u>	<u>13,618,819</u>
Investment in Panarctic Oils Ltd. (Note 3)	15,253,057	15,251,807
Investment in and advance to associated company, Giant Explorations Limited (N.P.L.), at equity value	203,575	197,079
	<u>\$36,324,470</u>	<u>\$30,160,521</u>



# G M RESOURCES LIMITED

## LIABILITIES AND MEMBERS' EQUITY

	September 30	
	1977	1976
Current liabilities:		
Accounts payable and accrued liabilities	\$ 667,276	\$ 465,935
Current portion of long-term debt	2,138,441	1,519,150
Liability relating to the acquisition of shares of Panarctic Oils Ltd.	—	329,400
	<u>2,805,717</u>	<u>2,314,485</u>
Long-term debt less current portion included above (Note 4)	9,599,379	7,480,850
Minority interest in subsidiary	85,666	85,666
Members' equity:		
Share capital (Note 5)-		
Authorized-		
10,000,000 common shares without par value		
Issued-		
4,926,444 shares (1976- 3,694,833)	23,381,331	19,803,498
Contributed surplus	237,494	237,494
Retained earnings	214,883	238,528
	<u>23,833,708</u>	<u>20,279,520</u>

THESE CONSOLIDATED FINANCIAL STATEMENTS  
HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS:



Director



Director

\$36,324,470

\$30,160,521



# G M RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended September 30	
	<u>1977</u>	<u>1976</u>
Retained earnings at beginning of year	\$238,528	\$717,094
Loss for the year	<u>23,645</u>	<u>478,566</u>
Retained earnings at end of year	<u>\$214,883</u>	<u>\$238,528</u>

# G M RESOURCES LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended September 30	
	1977	1976
Financial resources were provided by:		
Operations-		
Earnings (loss) before extraordinary items	\$ (23,645)	\$ 14,136
Add: Charges not affecting working capital-		
Depletion and depreciation	960,319	219,600
Equity in expired costs of associated company	9,653	24,130
	946,327	257,866
Proceeds from bank loans	4,320,000	9,000,000
Issue of share capital	3,577,833	—
Proceeds from disposal of mineral holdings	110,722	810,671
Extraordinary item affecting working capital	—	6,300
	8,954,882	10,074,837
Financial resources were used for:		
Petroleum and natural gas production interest	—	5,031,300
Petroleum and natural gas properties and equipment	1,453,819	4,151,023
Mineral holdings	17,920	18,770
Repayment of long-term debt and change in current portion	2,201,471	1,519,150
Increase in advances to associated company	16,150	23,823
Investment in Panarctic Oils Ltd.	1,250	1,070,295
Acquisition of Calgary International Energy Ltd.	4,837,000	—
	8,527,610	11,814,361
Increase (decrease) in working capital	427,272	(1,739,524)
Working capital (deficiency) at beginning of year	(1,221,669)	517,855
Working capital deficiency at end of year	\$ 794,397	\$ 1,221,669



# G M RESOURCES LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 1977

### 1. Accounting policies:

#### (a) Principles of consolidation-

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, namely: G.M. Explorations Limited (N.P.L.), Mascot Copper Mines Limited (N.P.L.), Mascot Mines & Petroleums Limited, G.V. Lloyd Exploration Ltd., Calgary International Energy Ltd. (U.S.), Calgary International Energy Ltd. (in voluntary liquidation) and Mascot Nickel Plate Mines Limited (in which the Company owns a 76% interest).

#### (b) Petroleum and natural gas production interest-

The Company is providing for depletion of its petroleum and natural gas production interest, purchased from Canadian Hunter Exploration Ltd. effective July 1, 1976, by the unit of production method. It is expected that the production of petroleum and natural gas to which the Company is entitled pursuant to its production interest will be received within five years.

#### (c) Petroleum and natural gas properties and equipment-

The Company follows the full cost method of accounting for its petroleum and natural gas properties whereby all costs related to the exploration for and development of petroleum and natural gas reserves are initially capitalized. Such costs include land acquisition costs, geological and geophysical expenditures, rentals on undeveloped properties and costs of drilling both productive and non-productive wells. Depletion is calculated by the unit of production method based on the estimated proven reserves of petroleum and natural gas. Gains or losses on the disposal of properties are not recognized except under circumstances where there is a major disposal of reserves.

Depreciation of production equipment is being provided by the straight-line method at the rate of 10%.

#### (d) Mineral holdings-

Expenditures are capitalized on properties which are held for development and are not operating, and accordingly no depreciation or amortization is being provided. When mineral claims are abandoned or options dropped, the related costs are written off against earnings in that year.

Certain 1976 accounts have been reclassified to conform with the 1977 presentation.

## **2. Acquisition of Calgary International Energy Ltd.**

On December 30, 1976, the Company purchased all of the issued shares of Calgary International Energy Ltd. for a purchase price of \$4,436,000 and acquisition costs of \$200,000. The acquisition has been accounted for as a purchase and accordingly the results of operations from the date of acquisition are included in the consolidated financial statements. The excess of the purchase price over the net book value at date of acquisition, amounting to \$3,913,000, has been allocated to petroleum and natural gas properties and is being amortized by the unit of production method.

The purchase price of Calgary International Energy Ltd. was made up as follows:

Petroleum and natural gas properties acquired	\$4,837,000
Working capital deficiency existing at the time of purchase	(201,000)
	<u>\$4,636,000</u>

## **3. Investment in Panarctic Oils Ltd.**

The Company's investment in Panarctic Oils Ltd. consists of 1,743,424 shares and 85,252 warrants which entitle the Company to purchase an additional 170,504 shares of Panarctic at a price of \$1 per share which may be paid by the incurring of exploration expenditures. Such warrants are exercisable during the five years commencing either on January 1, 1981, or the first of January in the year next following the initial delivery of petroleum substances from Panarctic lands, whichever is the later, and expire in any event on January 1, 1991.

Panarctic, at present, is still in the exploratory stage, and, accordingly, as its most recent published financial statements indicate, all its costs and expenses have been capitalized and it is deemed to have earned no profit and sustained no loss to December 31, 1976. The shares of Panarctic are closely held and their transfer is subject to restrictions.

## **4. Long-term debt:**

Long-term debt consists of bank loans which bear interest at 1% above the bank's prime lending rate. They are secured by a general assignment of accounts receivable, general assignments under Section 82 of the Bank Act covering petroleum and natural gas interests and a specific assignment of the proceeds from the sale of petroleum and natural gas derived from the production interest. The terms of the bank loans provide for repayment over varying periods of time; however, the bank reserves the right to call for payment of the loans on demand.



Estimated repayments of principal for the five years subsequent to September 30, 1977, are as follows:

1978 —	\$2,138,000
1979 —	\$2,418,000
1980 —	\$2,699,000
1981 —	\$3,061,000
1982 —	\$1,421,000

**5. Share capital:**

Effective March 31, 1977, the Company consolidated its share capital on the basis of one new share for every four old shares, and set its authorized capital at 10,000,000 shares without par value and changed its name concurrently with such consolidation.

The Company subsequently issued 1,231,611 shares at a price of \$3.00 per share pursuant to a rights offering to members of record on August 3, 1977.

**6. Income taxes:**

At September 30, 1977, the Company had tax losses of \$3,171,000 (of which \$1,737,000 expires in 1979, \$1,249,000 in 1980, \$97,000 in 1981 and \$88,000 in 1982) available to carry forward and apply against future taxable income. In addition, the Company has capital cost allowances and drilling and exploration expenditures available for tax purposes in excess of the related net book value of such expenditures for accounting purposes in the amount of approximately \$4,582,000. No provision has been made in the accounts for possible future tax benefits which may arise from these items.

The Company also has earned depletion available for tax purposes in the approximate amount of \$5,223,000 at September 30, 1977. Deductions for earned depletion are limited to 25% of production profits.

**7. Loss per common share:**

	<b>Year ended September 30</b>	
	<b><u>1977</u></b>	<b><u>1976</u></b>
Loss per share, based on the weighted average number of shares outstanding:		
Loss before extraordinary items	<b>\$ .01</b>	<b>\$ —</b>
Extraordinary items	<b><u>—</u></b>	<b><u>.12</u></b>
	<b><u>\$ .01</u></b>	<b><u>\$ .12</u></b>

The 1976 figures have been restated to give effect to the share consolidation explained in Note 5.

**8. Remuneration of directors and senior officers:**

Total direct remuneration paid by the Company and its subsidiaries to the directors and senior officers (including not only officers as such but also, by definition, certain management and other personnel) was \$127,000 (1976- \$143,000). No such remuneration was paid by the Company's subsidiaries.



**G M RESOURCES LIMITED**  
**INTERIM REPORT—FIRST QUARTER 1978**

**CONSOLIDATED STATEMENT OF OPERATIONS**

	Three month period ended December 31	
	<u>1977</u>	<u>1976</u>
Revenue:		
Petroleum and natural gas sales, net of royalties	\$ 1,396,725	\$ 804,417
Interest	16,569	2,030
Other	3,446	6,331
	<u>1,416,740</u>	<u>812,778</u>
Expenses:		
Operating	28,362	—
General and administrative	71,990	48,450
Interest—Long-term debt	266,750	228,851
Depletion and depreciation	546,152	218,903
Property shutdown	15,493	38,327
Investigation of prospective ventures	—	14,657
	<u>928,747</u>	<u>549,188</u>
Earnings before the following	487,993	263,590
Income taxes:		
Current (recovery—Alberta Royalty Tax Credit)	(49,876)	—
Deferred	133,700	36,900
	<u>83,824</u>	<u>36,900</u>
Earnings before extraordinary item	404,169	226,690
Extraordinary item:		
Recovery of taxes on income, resulting from the application of prior years' losses	133,700	36,900
Earnings for the period	<u>\$537,869</u>	<u>\$263,590</u>
Earnings for the period per common share:		
Before extraordinary item	\$ .08	\$ .07
Extraordinary item	<u>.03</u>	<u>—</u>
	<u>\$ .11</u>	<u>\$ .07</u>

The 1976 per share figures have been restated to give effect to the share consolidation on March 31, 1977.

THE ABOVE FIGURES ARE UNAUDITED AND ARE SUBJECT  
 TO YEAR END ADJUSTMENTS.

**G M RESOURCES LIMITED**  
**INTERIM REPORT— FIRST QUARTER 1978**

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION**

	Three months period ended December 31	
	<u>1977</u>	<u>1976</u>
Financial resources were provided by:		
Operations—		
Earnings before extraordinary item	<b>\$404,169</b>	\$ 263,590
Add: Charges not affecting working capital—		
Depletion and depreciation	<b>546,152</b>	218,903
Recovery of taxes on income resulting from application of prior years' losses	<b>133,700</b>	—
	<b>1,084,021</b>	482,493
Proceeds from bank loans	—	2,578,765
Proceeds from disposal of mineral holdings	—	1,198
	<b>1,084,021</b>	<b>3,062,456</b>
Financial resources were used for:		
Petroleum and natural gas properties and equipment	<b>171,813</b>	4,783,313
Mineral holdings	<b>5,581</b>	—
Repayment of long-term debt and change in current portion	<b>447,934</b>	—
Increase in advances to associated company	<b>8,345</b>	2,840
Investment in Panarctic Oils Ltd.	—	750
	<b>633,673</b>	4,786,903
Increase (decrease) in working capital	<b>450,348</b>	(1,724,447)
Working capital (deficiency) at beginning of year	<b>(794,397)</b>	(1,813,157)
Working capital (deficiency) at end of period	<b>\$(344,049)</b>	<b>\$(3,537,604)</b>

THE ABOVE FIGURES ARE UNAUDITED AND ARE SUBJECT  
TO YEAR END ADJUSTMENTS











G M RESOURCES LIMITED  
(formerly Giant Mascot Mines Limited)

MAR 2 1978

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Seventh Annual General Meeting of G M RESOURCES LIMITED ('the Company') will be held in the Aspen Room of The Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia, on Monday, the 20th day of March, 1978, at the hour of 10:00 o'clock in the forenoon, for the following purposes:

- (a) to receive and approve the Report of the President on behalf of the Directors to the Members and the Consolidated Financial Statements of the Company and its subsidiaries for the fiscal year ended September 30, 1977, together with the report of the Auditors thereon;
- (b) to appoint Auditors;
- (c) to authorize the Directors to fix the remuneration to be paid to the Auditors;
- (d) to ratify, confirm and approve all acts, deeds and things done by, and the proceedings of Directors and Officers of the Company on its behalf, as referred to in the Report of the President on behalf of the Directors to the Members and in the Consolidated Financial Statements of the Company for the fiscal year ended September 30, 1977, and as set out in the Minutes of the meetings of, and resolutions adopted in writing by, the Board of Directors of the Company, copies of which are available for inspection during business hours at the Company's Records Office, situate at Suite 2260, Toronto-Dominion Bank Tower, 700 West Georgia Street, Vancouver, British Columbia;
- (e) by way of Special Business, to consider and, if thought fit, to approve, with or without ratification, the following:

"RESOLVED, as a Special Resolution, that the regulations contained in the document submitted at this meeting and marked Schedule "A" to this Special Resolution and, for the purposes of identification, signed by Allan H. Ainsworth, as the Secretary of the Company, be and the same are hereby adopted as the Articles of the Company in substitution for, and to the entire exclusion of, all the existing Articles thereof.";

- (f) to fix the number of Directors for the ensuing year at eight (8), and to authorize the Board of Directors, in their discretion, to appoint, at any time, an additional Director to hold office until the next Annual General Meeting of the Company, unless his office be earlier vacated, and to empower the Board of Directors, if, as and when any such appointment be made, to fix the number of Directors accordingly at nine (9) to give effect to such appointment;
- (g) to elect Directors;



- (h) to transact such other business as may properly be transacted at such meeting, or at any adjournment thereof, without notice.

Copies of the Report of the President on behalf of the Directors to the Members, the audited Consolidated Financial Statements for the fiscal year ended September 30, 1977, and of an Information Circular and an Instrument of Proxy accompany this Notice.

If you are unable to attend the Annual General Meeting in person, kindly read the Notes on the reverse side of the accompanying Instrument of Proxy and then complete and return the Instrument of Proxy within the time set out in the Notes. As set out in the Notes, the accompanying Instrument of Proxy is solicited by Management, but you may amend it, if you so desire, by inserting in the space provided the name of the person you wish to represent you at the meeting. If you wish, you may also appoint an alternate proxyholder to act in the place and stead of the person whose name you insert as your proxyholder, in the event that he is not in attendance at the meeting, or at any adjournment thereof.

DATED at Vancouver, British Columbia, this 10th day of February, 1978.

ON BEHALF OF THE BOARD

Allan H. Ainsworth

Secretary

G M RESOURCES LIMITED  
(formerly Giant Mascot Mines Limited)

Executive Office:  
Suite 2370, Bow Valley Square Two,  
205 - 5th Avenue S.W.,  
T2P 2W6

Registered Office and Records Office:  
Suite 2260, Toronto-Dominion Bank Tower,  
Pacific Centre, 700 West Georgia Street,  
Vancouver, British Columbia, V7Y 1A9

INFORMATION CIRCULAR

as of February 10, 1978, issued in connection  
with the solicitation of proxies for the  
Twenty-Seventh Annual General Meeting to be  
held on March 20, 1978.

SOLICITATION OF PROXIES

This Information Circular is furnished in connection with the solicitation by the management of G M RESOURCES LIMITED ('the Company') of Instruments of Proxy to be used at the Twenty-Seventh Annual General Meeting of members of the Company to be held at the time and place and for the purposes set forth in the accompanying Notice of Meeting. It is expected that the solicitation will be primarily by mail. Instruments of Proxy may also be solicited personally by regular employees of the Company at nominal cost. The cost of solicitation by management will be borne by the Company.

APPOINTMENT AND REVOCATION OF PROXIES

The first and third named persons whose names appear already printed in the accompanying Instrument of Proxy are Directors of the Company, and the second named person is the alternate Director for Nathan Gesser, a Director of the Company. A member desiring to appoint some other person to represent him at the meeting may do so either:

- (a) by inserting such person's name in the first blank space provided in the Instrument of Proxy and, in addition, if the member elects to appoint an alternate proxyholder, by inserting the name of a second person in the second blank space provided; or
- (b) by completing another acceptable form of instrument of proxy;

and, in either case, depositing the completed instrument at the offices of Canada Permanent Trust Company, the Registrar and Transfer Agent of the Company, at 701 West Georgia Street, P.O. Box 10152, Pacific Centre North, Vancouver, British Columbia, V7Y 1E5, not later than 10:00 o'clock in the forenoon (Vancouver Time) on Friday, March 17, 1978, or less than twenty-four (24) hours (exclusive of Saturdays and holidays) before the time at which the Annual General Meeting is to be reconvened following any adjournment thereof from one day to the next or to a later day.

A member who has appointed a proxy may revoke such appointment either:

- (a) by signing an Instrument of Proxy (whether in the accompanying, or another acceptable, form) bearing a later date and depositing it as aforesaid;  
or



- (b) as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by an instrument of proxy, by signing and dating a written notice of such revocation in the same manner as the Instrument of Proxy is required to be executed (as set out in Note 3 to the accompanying Instrument of Proxy), and depositing the same either at Suite 2260, The Toronto-Dominion Bank Tower, Pacific Centre, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1A9 ('the Registered Office') at any time up to and including the last business day preceding either the day of the meeting or the day to which the meeting may have been adjourned, or any adjournment thereof, or with the Chairman of the meeting on the day of the meeting or on the day to which the meeting may have been adjourned;
- (c) by attending the meeting in person and registering with the scrutineers thereat as a member personally present, which shall serve as notice of revocation of any instrument of proxy previously filed but only as to matters which have not been dealt with at the meeting.

Furthermore, the Articles of the Company expressly provide that the casting of a vote on the basis of an instrument of proxy will be valid notwithstanding the previous death of the principal, or revocation of the proxy, or transfer of the share in respect of which the vote is to be cast, provided that no intimation in writing of such death, revocation or transfer shall have been received at the Registered Office not less than one (1) hour prior to the commencement of the meeting, or by 5:00 o'clock (Vancouver Time) in the afternoon on the day of the meeting, whichever shall first occur, or by the Chairman of the meeting before commencement of, or during, the meeting or any adjournment thereof. If such intimation is received during the meeting or any adjournment thereof, the consequent invalidation of such instrument of proxy shall be effective only as to those matters on which a vote shall not already have been cast.

#### EXERCISE OF DISCRETION BY PROXIES

The persons whose names appear already printed in the accompanying Instrument of Proxy will vote, or refrain from voting, the shares in respect of which they are appointed in accordance with the direction of the member appointing them.

In the absence of such direction, it is intended that such shares will be voted:

- (a) for the approval of the Report of the President on behalf of the Directors to the Members and the Consolidated Financial Statements of the Company and its subsidiaries;
- (b) for the appointment of Auditors, as stated under that heading in this Circular;
- (c) in favour of authorizing the Directors to fix the remuneration to be paid to the Auditors;
- (d) for the ratification, confirmation and approval of all acts, deeds and things done by, and proceedings of, the Directors and Officers of the Company on its behalf, as more particularly set out in Item (d) of the accompanying Notice of Meeting;

- (e) in favour of the Special Resolution, by way of Special Business, as more particularly set out in Item (e) of the accompanying Notice of Meeting and as referred to in this Information Circular under the heading "OTHER MATTERS TO BE ACTED UPON";
- (f) to fix the number of Directors at eight (8), and to empower the Board of Directors to appoint an additional Director, as more particularly set out in Item (f) of the accompanying Notice of Meeting;
- (g) for the election of Directors, as stated under that heading in this Circular.

The accompanying Instrument of Proxy confers discretionary authority upon a proxyholder appointed thereby with respect to amendments to, or variations in, matters identified in the Notice of Meeting, and with respect to other matters which may properly come before the meeting. As of the date of this Information Circular, the management of the Company knows of no such amendment or variation, or matters to come before the meeting other than those referred to in the Notice of Meeting.

#### VOTING SHARES

On the date of this Circular, the Company had outstanding 4,926,444 shares without par value, each carrying the right to one vote, so that the aggregate number of votes attaching to all the outstanding shares is 4,926,444.

There are no persons who, or company which, beneficially owns, directly or indirectly, more than 10% of the voting shares of the Company other than Cemp Investments Ltd., which is beneficially entitled to 2,266,124 shares, being some 46% of the total shares of the Company presently issued and outstanding, and has the right to vote a further 1,196,205 shares, to which others are beneficially entitled, which represent a further 24.3% of the total shares of the Company presently issued and outstanding.

Only members registered on the date on which the Notice of Meeting is mailed to the members will receive Notice of the Annual General Meeting and will be entitled to attend and vote, or be represented by proxy, thereat. The person duly appointed under an Instrument of Proxy, however, will only be entitled to vote the shares represented thereby if the Instrument of Proxy (together with any instrument which may be required as set out in Note 3 to the Instrument of Proxy) is deposited at the address and within the time hereinbefore set out in this Circular under the heading "APPOINTMENT AND REVOCATION OF PROXIES".

#### ELECTION OF DIRECTORS

Pursuant to s.133 of the "Companies Act" S.B.C. 1973, Chapter 18 and amendments and Regulations thereto ('the Act'), Advance Notice of the intention to elect Directors at the Annual General Meeting was published on January 10, 1978, in The Province, a daily newspaper circulated in the County of Vancouver, but no nomination of any person for election as a Director of the Company has been received from members of the Company other than management.



The Board presently consists of seven (7) Directors, all of whom are deemed to retire at the Annual General Meeting, and an eighth person who is an alternate Director for one of the seven. The persons whose names appear already printed in the accompanying Instrument of Proxy intend to vote in favour of the resolution to fix the number of Directors for the ensuing year at eight (8), and to empower the Board of Directors, in their discretion, to appoint, at any time, an additional Director and to fix the number of Directors accordingly at nine (9) to give effect to such appointment. If such resolution is adopted, the persons intend to vote for the election of the eight (8) nominees whose names are set forth below, of whom seven are now members of the Board of Directors and have been since the dates indicated, and the eighth is presently an alternate Director for one of the seven.

The management does not contemplate that any of the nominees will be unable to serve as a Director but, if that situation should arise for any reason prior to the meeting, the persons whose names appear already printed in the accompanying Instrument of Proxy reserve the right to vote for another nominee, or nominees, in their discretion. Each Director elected, and any additional Director subsequently appointed by the Board of Directors, will hold office until his successor is elected at the next Annual General Meeting of the Company, or any adjournment thereof, unless his office is earlier vacated under any of the relevant provisions of the Articles of the Company or the Act.

The following table and the notes thereto state the names of all the persons proposed to be nominated by management for election as Directors, all other positions and offices with the Company now held by them, their principal occupation or employment, their country of residence, the dates upon which they became Directors of the Company, and the approximate number of shares of the Company beneficially owned, directly or indirectly, by each of them as of the date of this Circular:

<u>Name and Office</u>	<u>Principal Occupation or Employment</u>	<u>Date of Appointment as Director</u>	<u>Shares Owned</u>
Allan H. Ainsworth General Counsel, Secretary and Director	Barrister and Solicitor: Partner of Ainsworth & Company, the Company's Solicitors.	* January 24, 1977	nil
Harold N. Borts Director	Corporate Executive: Treasurer, Cemp Investments Ltd. since August 1, 1977; previously, Assistant- Treasurer from June, 1974, and executive from 1972 when he joined that Company.	November 2, 1977	8,211
F. Peter Cundill Director	Investment Counsel: President, Peter Cundill & Associates Ltd.	January 29, 1975	
Nathan Gesser Vice-President, Finance, and Director	Corporate Executive: Senior Vice-President, Cemp Investments Ltd. (formerly Vice-President, Finance)	April 30, 1971	9,703

John L. Gibson Director	Corporate Executive: previously President, now Chairman of the Board of Highmont Mining Corporation; Chairman of the Board, Vancouver Distribution Centres Ltd.; Director, Gibson Bros. Industries Ltd.	January 29, 1959	1,910
Arnold M. Ludwick alternate Director	Corporate Executive: Executive Vice-President, Camp Investments Ltd. since August 1, 1977; previously Vice-President, Administration and Treasurer.	# —	Nil
John O. McCutcheon Chairman of the Board	Corporate Executive: President, Multiple Access Ltd.	January 24, 1977	25,000
Louis P. Starck President and Managing-Director	Professional Engineer: President and Managing-Director of the Company	January 29, 1965	9,736

\* Mr. Ainsworth served as a Director from March 31, 1970, to March 28, 1974, and was again appointed a Director on January 24, 1977.

# Mr. Ludwick has served as an alternate Director for Nathan Gesser since August 25, 1977.

#### NOTES:

- (a) The information as to shares beneficially owned, not being within the knowledge of the Company, has been furnished by the respective nominees individually.
- (b) Unless otherwise stated above, each of the above-named persons has held the principal occupation first stated opposite his name and the employment or employments next stated for at least five years.
- (c) Each of the nominees listed above is ordinarily resident in Canada.
- (d) Each of the nominees listed above is also a Director of Giant Explorations Limited (N.P.L.), which also has substantially the same Officers.

#### APPOINTMENT OF AUDITORS

The persons whose names appear already printed in the accompanying Instrument of Proxy, unless directed by the member completing the Instrument of Proxy to abstain from doing so, intend to vote for the reappointment of Price Waterhouse & Co., Chartered Accountants, as Auditors of the Company, to hold office until the



next Annual General Meeting of the members of the Company. Price Waterhouse & Co. have been Auditors of the Company since February 4, 1971, their Vancouver office having served until somewhat over two months before the end of the last fiscal year when their Calgary office assumed the function and carried out the audit for the year ended September 30, 1977.

#### REMUNERATION OF MANAGEMENT AND OTHERS

1. During the twelve month period from the commencement of the last completed fiscal year of the Company on October 1, 1976, to September 30, 1977, the total aggregate direct remuneration paid by the Company to its Directors and Senior Officers (including not only officers as such but also, by statutory definition, certain management or other personnel) was \$127,000. No direct remuneration has been paid or is payable by any of the Company's subsidiaries to any of the Directors and Senior Officers of the Company or of any of its subsidiaries.
2. No pension or retirement benefit plans have been instituted by the Company or any of its subsidiaries in which any Director or Senior Officer of the Company or any of its subsidiaries participates and none is proposed at this time.
3. Save as set out in paragraph 1 hereof, no remuneration has been paid, directly or indirectly, to any Senior Officers or Directors by the Company or its subsidiaries pursuant to any plan or arrangement, and none is intended to be paid in the ensuing year other than fees to the Directors of the Company (other than the President and Managing Director and the General Counsel and Secretary) in an amount to be determined by the Board and salaries to certain of its officers and management and other personnel in the normal course of business and not pursuant to any management contract, plan or other like arrangement, all in an estimated amount of some \$135,000. It is not contemplated at this time that any remuneration will be paid by any of the Company's subsidiaries to its Directors or Senior Officers.
4. No option to purchase securities of the Company has been granted to any Senior Officer or Director since the commencement of the last completed fiscal year on October 1, 1976, other than an option to purchase up to 25,000 shares of the Company granted to Louis P. Starck, the President and Managing Director of the Company, which was proposed and approved by the Board of Directors on January 24, 1978. The option may be exercised at any time or from time to time during a term expiring on March 31, 1982. The price payable on exercise of the option is \$3.61 per share, being the price of \$4.25 per share at which the last sale was made through the facilities of the Toronto Stock Exchange on January 24, 1978, less the discount of 15% from market allowed in the case of employee share options by the Toronto and Vancouver Stock Exchanges. No consideration was received for the granting of the option other than the services rendered by Mr. Starck as the chief executive officer of the Company for the past seven years. During the 30 days preceding the granting of the option, the price for shares of the Company as quoted by the Toronto Stock Exchange ranged from a high of \$5.00 to a low of \$3.90.

No option was exercised during the fiscal year ended September 30, 1977, and, save for the option granted on January 24, 1978 as aforesaid, none is presently outstanding. No options have ever been granted by any of the Company's subsidiaries.



5. None of the Directors or Senior Officers of the Company, nor any person associated with them, has been indebted to the Company or any of its subsidiaries since the commencement of the last completed fiscal year on October 1, 1976.

#### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of the Directors or Senior Officers of the Company, nor any member owning more than 10% of the issued shares of the Company, nor any of their respective associates or affiliates, had any material interest, direct or indirect, in any transaction since the commencement on October 1, 1976, of the last completed fiscal year of the Company, which has materially affected the Company or any of its subsidiaries.

Although not material in effect, reference is made to the fact that during the fiscal year ended September 30, 1977, Cemp Investments Ltd. ('Cemp'), the principal shareholder of the Company:

1. guaranteed an operating line of bank credit in the maximum amount of \$1,320,000, and, in consideration for such guarantee, the Company paid Cemp a fee of 2% per annum monthly on the amount of such line of credit drawn down by the Company at the beginning of each calendar month; and
2. loaned the Company the sum of \$1,200,000 at the prime Canadian chartered bank rate from time to time prevailing plus 2½%.

Both the loan guaranteed by Cemp and the loan made by it directly to the Company were repaid, as had been contemplated, out of the proceeds of the Company's rights offering forthwith after its completion on August 29, 1977. The Company paid to Cemp a total sum of \$12,824.38 by way of the fee for its guarantee and \$23,828.07 by way of interest on the loan made by it to the Company.

#### MANAGEMENT CONTRACTS

The Company has not entered into any management contracts.

#### OTHER MATTERS TO BE ACTED UPON

By way of Special Business, it is proposed, as set out in Item (e) of the accompanying Notice of Meeting, to present for approval by the members of the Company at the Annual General Meeting a Special Resolution to adopt new Articles in substitution for the existing Articles of the Company. Effective October 1, 1973, an entirely new "Companies Act" came into force in British Columbia. The provisions of the new Act, to the extent they were in conflict with, or supplementary to, those of the Company's existing Articles, governed in any event, except such supplemental provisions as were optional and, if desired, required express incorporation in the Articles. Soon after the new Regulation was enacted, it became apparent that a substantial number of amendments to it would be required. Pending such amendments, many of which, it was anticipated, would affect the content, but not materially the substance, of the Company's existing Articles, the Company has deferred adopting new Articles to conform with the provisions and terminology of the new Act. The Directors, on the advice of counsel, have



determined that it would now be appropriate for the Company to adopt new Articles to conform with the provisions of the new Act as amended to date. Copies of the proposed Articles, and, for purposes of comparison, of the existing Articles as amended to date, are available for inspection by members during normal business hours at the Registered Office of the Company and at the offices of the Company's Registrar and Transfer Agent, Canada Permanent Trust Company, where transfer agency facilities are maintained for the Company, namely: at 701 West Georgia Street, Vancouver, British Columbia; 315 - 8th Avenue S.W., Calgary, Alberta; 20 Eglinton Avenue West, Toronto, Ontario; and 600 Dorchester Boulevard West, Montreal, Quebec.

Without limiting the generality of the changes proposed to be incorporated in the new Articles, it should be noted that under the new Act, a company, if it is so authorized by its Memorandum or Articles, may now purchase its own issued shares either through the facilities of a stock exchange or pro rata from its members. Previously, a company was expressly prohibited from purchasing its own shares other than fractions for the purpose of consolidation into, and resale as, whole shares. The new Articles which it is proposed to adopt contain a provision which would enable the Company to exercise the power now available to it by statute. No such purchase by the Company of its own shares is presently contemplated nor even the circumstances under which such a purchase might be proposed. Furthermore, any such purchase by the Company would be subject to its satisfying the requirements relating thereto of the Toronto and Vancouver Stock Exchanges and such other securities regulatory agencies as might then have jurisdiction.